



Testimony of
Puya Gerami

Director, Recovery For All Coalition

Finance, Revenue & Bonding Committee
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***HB 5489 An Act Concerning Indexing Certain Personal Income Tax
Thresholds and Exemption Amounts***

Good morning Senator Fonfara, Representative Scanlon and members of the Finance, Revenue & Bonding Committee. My name is Puya Gerami, and I am the Director of Recovery For All, a statewide coalition of faith, community, and labor organizations united to eliminate systemic inequalities and rebuild a better Connecticut. Thank you for the opportunity to submit testimony to support of HB 5489 An Act Concerning Indexing Certain Personal Income Tax Thresholds and Exemption Amounts.

Connecticut is the wealthiest state in the nation but is also among the most unequal. The 2014 state tax incidence analysis performed by the Department of Revenue Services showed that the bottom 50% of earners contribute 23.6% of their income in taxes, but the top 1% contribute only 7.5%. The 2022 report shows that low-income households have lost ground since 2014. They now pay up to 26% of their income in taxes. Middle income households are also paying more - as much as 15.5%. Yet the ultra-wealthy's effective tax rate has remained flat. To put it simply, Connecticut's tax system is even more regressive now than it was in 2014.

In addition to pursuing traditional progressive revenue policies to address Connecticut's inequities, lawmakers could provide relief to low- and middle-income earners simply by indexing the personal income tax thresholds and exemption amounts to inflation. It's a small change that would make a big difference by factoring the cost of living into the personal income tax.

Our colleagues at CT Voices have done important work on this topic and I encourage you to read their report issued in January, "[Steps to a Fairer Tax System: Proposals for Tax Reform, Transparency, and Timely Support](#)." As they explain, inflation creates hardships for low- and middle-income earners. It decreases the purchasing power of their income, or if their income increases to keep up with inflation, that nominal increase raises their income tax burden. The cumulative effect is a built-in tax (p. 7). The same can be said of tax exemptions. When a tax filer's income increases to keep up with inflation but that increase in income decreases the tax filer's exemption, it results in a higher tax liability, even though the tax filer's real purchasing power has not increased at all (p. 37).

Indexing the tax brackets and exemptions to inflation, as HB 5489 does, would provide considerable relief to low- and middle-income earners. It would also make the tax code inflation neutral, protecting those who are most likely to be adversely affected by it. We urge the Committee to support HB 5489. Thank you for the opportunity to provide testimony.